

### *Severance taxes*

A severance tax is a charge on natural resources extracted from the land or waters of a State. Types of severance taxes include fuel/mineral taxes (based on the volume of coal, gas, oil, uranium, aggregates and other minerals withdrawn), timber taxes (based on the volume of timber logged), direct water withdrawal charges and oyster/shellfish taxes (based on the volume or value of shellfish harvested).

Severance taxes on coal and gas are used by mining States to generate considerable revenue. For example, Montana collects \$66 million annually from its coal severance tax, and Wyoming collects \$20 million annually from its mineral tax.

Article 15, Section 19 of the Wyoming Constitution states that the legislature shall provide by law for an excise tax on the privilege of extracting minerals of one and one-half percent (1 ½%) on the gross value of the mineral extracted. Minerals subject to the tax are coal, petroleum, natural gas, oil shale and others as prescribed by the legislature. Such tax is in addition to any other excise, severance or ad valorem tax on the minerals. Severance tax rates will vary depending on the mineral produced. The tax rates for each class of mineral including the constitutionally required 1 ½% rate are:

- Coal - Surface coal Total 7%
- Underground coal- Total 3.75%
- Oil and Gas - Total 6%
- Trona - Total 4%
- Bentonite -2.0%
- Uranium -Total 4%
- Sand and Gravel 2.0%
- Other Valuable Deposits 2.0%

Other States with mineral severance taxes include Louisiana (oil), Nebraska (uranium), New Mexico (all minerals and fuels, dedicated to the protection of natural areas and endangered species), Florida (phosphates) and Pennsylvania (coal).

Timber taxes used in Alabama, Washington, and Wisconsin generally are dedicated to State forestry replenishment programs. Maryland and Georgia use revenues from shell fish taxes to fund shellfish replenishment programs and State fisheries administrative costs.

These taxes could be dedicated to activities that mitigate the environmental impacts of natural resources extraction, such as land conservation and habitat restoration.

Annual revenue potential for minerals severance taxes in North Carolina, at the rates imposed by Wyoming, is approximately \$15 million. The preliminary estimated value of nonfuel mineral production in North Carolina

na was \$785 million (as of February 1999 - the latest date for which production data are available). This was about a 6% increase from 1997 and followed a 7.5% increase from 1996 to 1997. The State remained 19th in rank among the 50 states in total nonfuel mineral production value, of which North Carolina accounted for about 2% of the U.S. total.<sup>46</sup> In 1998, the increased values of crushed stone and phosphate rock accounted for most of the State's rise in value. In 1997, increases in the values of crushed stone, construction sand and gravel, phosphate rock, and industrial sand and gravel significantly offset a substantial decrease in the value of lithium minerals.<sup>47</sup>

‘Annual revenue potential for minerals severance taxes in North Carolina, at the rates imposed by Wyoming, is approximately \$15 million.’

ary 1999 - the latest date for which production data are available). This was about a 6% increase from 1997 and followed a 7.5% increase from 1996 to 1997. The State remained 19th in rank among the 50 states in total nonfuel mineral production value, of which North Carolina accounted for about 2% of the U.S. total.<sup>46</sup> In 1998, the increased values of crushed stone and phosphate rock accounted for most of the State's rise in value. In 1997, increases in the values of crushed stone, construction sand and gravel, phosphate rock, and industrial sand and gravel significantly offset a substantial decrease in the value of lithium minerals.<sup>47</sup>

### **Advantages:**

Severance taxes can yield significant revenues, which could be sufficient to dedicate to open space protection. They are efficient in the senses of generating flexible revenue at relatively low cost to administer, as well as in their substitution effects with respect to open space. Charges are highly equitable with respect to income, especially